

George Jolly, MD

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## Potential Savings for Local Governments in the NY Health Act

I thank Chairman Gottfried and Chairman Rivera for the opportunity to address this joint committee hearing.

I am a retired Internist and Geriatrician. I practiced medicine in Saratoga Springs for 36 years. I live in the Town of Greenfield in Saratoga County.

New York local government entities are struggling with rising employee and retiree healthcare costs. As public budgets are squeezed between property tax caps and rising healthcare insurance premiums, raises in actual salaries are deferred and out-of-pocket expenses for employees are increasing. The county "local share" of Medicaid costs, on average, consumes just under half of county property tax levies. The rate of increase in healthcare costs, which is well beyond the level of inflation, is not sustainable for our towns, cities, schools and counties.

Whether or not you agree with each detail, the evidence is pretty clear that we could finance healthcare less expensively. Multiple other advanced countries manage it. We spend twice as much per capita, in spite of worse health outcomes.

Two recent studies, that of Gerald Friedman (2015) and that of the Rand Corporation (2018) concluded that, over all, the State of New York could save money by using a single-payer finance system.

I have been asking: "What would be the financial impact of the NY Health Act for my county, my city, or my school district?"

As many of you know, public payrolls for counties, towns and cities, and school districts are available on the internet. Most public entities publish their employee healthcare expenses in their on-line "adopted budgets".

You are also aware that the legislation we are discussing does not specify details of funding. It does call for funding by "progressive" taxation on both earned and unearned income. In order to predict the Act's financial feasibility, the above researchers proposed rates and brackets of taxation sufficient to fund current and projected medical costs and to meet the legislative requirements.

It is a fairly simple process to plug the actual current salaries (that is, payroll) into a work-sheet that predicts healthcare expense for the public entity. Subtracting projected cost from current costs gives potential annual savings.

How much money are we talking about? I think the results are shocking. Here are a few of the predictions, based on 2018 budgets and the tax rates and brackets proposed by the Rand group:

- Albany County \$107.8 million
- Schenectady County \$46.1 million
- Saratoga County \$41.1 million
- City of Albany \$21.2 million

- City of Schenectady \$13.3 million
- City of Saratoga Springs \$6.5 million
- Saratoga Springs School District \$17.8 million

These savings to New York local governments will follow from reduction in multiple costs: **Billing will be simplified** for every medical provider, supplier of medical equipment and pharmacy. **Profit taking, advertising, and high administrative salaries of commercial insurance will be eliminated.** **Drug prices and medical device costs will be reduced** by price negotiation with pharmaceutical companies and device manufacturers. **Fraud detection will be easier** in a transparent, single payer system.

Several observations are in order:

Typically local government employee and retiree healthcare costs amount to 35-45% of payroll. Those costs will fall to under 8% of payroll under the NYHA. How will that affect your town, county, or school? Dollar savings can be predicted to be about 30 percent of payroll. A \$50 million payroll translates to \$15 million in cost reduction to your local government. These savings will accrue to every single town, city, school district, and county in the state.

County savings are so high partly because the Act eliminates the "local share" of Medicaid costs.

The savings we see here could be used to increase services, to increase public employee salaries, or reduce the property taxes which fund these entities.

As a physician advocating for the New York Health Act, I believe that **healthcare is a necessity and a right, just like police and fire protection. I believe that care deemed necessary by a qualified medical provider should never depend on a person's ability to pay.** This is the best argument for the New York Health Act. It is the right thing to do.

But also, as a tax-paying citizen, I ask my elected representatives: Why are we wasting our public funds in a health insurance system that diverts resources away from real care? The New York Health Act is also the smart thing to do.

It has been estimated that 90% of New York residents will see reduced healthcare costs under the New York Health Act. Cost reductions to local governments will extend that benefit even further through reduction of tax rates and increased salaries for our public employees throughout the state.

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